Chapter 1:

The New Era of Accountability

For decades, the Kenyan digital landscape was often described as the "Silicon Savannah"—a place of rapid innovation, financial inclusion through mobile money, and a relatively "laissez-faire" approach to regulation[3]. Startups moved fast, collected vast amounts of data, and disrupted traditional industries with minimal oversight or regulation.

However, the past decade has created a scenario where the pace of innovation and the pace of regulation have slowly caught up with one another. Leading the charge in regulation has been the Central Bank of Kenya which has had a keen eye on digital payment service providers and digital credit companies with the support of specialised bodies like the Office of the Data Protection Commissioner.

I have developed a personal understanding of entities being held accountable having prosecuted

[3] The term "Silicon Savannah" refers to the technology ecosystem in Kenya, which gained global prominence in the 2010s driven by innovations like MPesa.

privacy breach claims before the Office of the Data Commissioner as well as helping entities secure their Digital Credit Provider and Payment Service Provider licences from the Central Bank of Kenya.[4] It is this understanding that will shape my perspectives as shared in the following chapters.

In this chapter, we will break down the steps of accountability taken by the Central Bank of Kenya and the Office of the Data Protection Commissioner. This chapter gives an insight to businesses in the industry as to why compliance is a critical part of any business strategy.

1.1 The Central Bank of Kenya (CBK) Crackdown: Taming the Financial Frontier

In order to understand the fintech ecosystem in Kenya, it is critical to understand how the Central

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[4] *Masibolaw LLP supports Mkash Solutions Limited secure a digital credit provider (DCP) licence* (2026) *MasiboLaw LLP*. Available at: https://masibolaw.co.ke/2026/01/27/cutting-through-regulationmasibolaw-llp-supports-mkash-solutions-limited-in-securing-a-digital-creditprovider-licence/ (Accessed: 26 March 2026).

Bank of Kenya (CBK) has systematically institutionalized and formalised the space. The CBK's aggressive regulatory posture is evident across three major fronts that redefine what it takes to operate in Kenya:

The Great Digital Lender Purge

For years, digital credit providers operated without specific licensing, leading to predatory lending practices and massive public outcry. This changed dramatically after the issuance of the CBK (Digital Credit Providers) Regulations 2022. In a decisive move that signaled the end of the unregulated era, the CBK implemented a stringent, slow-burn vetting process, initially granting licenses to a mere 10 digital loan firms.[5]

As of early 2026, the CBK has granted licenses to 195 digital credit providers out of more than 800 applicants—an approval rate of roughly 24.4%.[6] This rigorous attrition ensured that only lenders

[5] *Daily Nation*, "10 digital loan firms given licences as 278 others wait," referencing the initial wave of CBK approvals when the new Digital Credit Providers framework launched.

[6] Central Bank of Kenya, "Press Release: Licensing of Digital Credit Providers" (December 30, 2025). The CBK confirmed the approval of 195 entities out of over 800 applications received since March 2022.

meeting strict capital, corporate governance, and consumer protection standards were permitted to operate, leaving over 75% of hopefuls either rejected or stalled in regulatory limbo.

Active License Revocation (The PayU Precedent):
The CBK's oversight extends well beyond initial licensing; it actively polices the operational health of established payment service providers (PSPs). A stark example of this zero-tolerance policy occurred when the CBK stripped PayU Kenya—a subsidiary of the global giant Prosus—of its payment license.[7] Following the company's operational struggles and subsequent liquidation proceedings, the CBK moved swiftly to formally revoke its authorization. This action underscores a brutal reality for founders: regulatory approval is not a permanent shield. Maintaining a license requires continuous compliance and operational viability.

[7] *The Kenyan Wall Street*, "CBK strips PayU Kenya of payment licence,highlighting the operational requirements and continuous viability needed to maintain PSP authorization.

The Warning Against Hawala and Unlicensed Remittances

Furthermore, the CBK has intensified its crackdown on illicit financial flows. In a heavily circulated public notice, the regulator issued a stern caution against dealing with entities and persons providing Money or Value Transfer Services (MVT)—often operating as underground *Hawala* networks, without explicit CBK authorization.[8] This directive serves as a critical Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) measure, warning both consumers and corporate partners that engaging with these shadow financial networks will attract severe penalties.

1.2 Office of the Data Protection Commissioner: From Innovation to Regulation

Furthermore, the enactment of the Data Protection Act, 2019, and the subsequent rigorous enforcement by the Office of the Data Protection Commissioner

[8] Central Bank of Kenya, "Public Notice - Caution against Dealing with Entities and Persons Providing Money or Value Transfer Services Without a License or Authorisation."

(ODPC), have shifted the burden of responsibility from the consumer to the corporation.[9]

The transition began in earnest when the ODPC transitioned from an administrative body to an active enforcement agency. This effectively signalled that we have moved beyond the "grace period" where companies could plead ignorance. Today, the ODPC actively monitors the following areas:

- **Digital Lending:** Aggressive debt collection and shaming tactics.
- **Education:** How schools manage the sensitive records of minors.
- **Gig Economy:** How platforms like Bolt and Uber handle both driver and rider data.
- **Biometrics:** The high-risk collection of unique physical identifiers.

Under Section 5 of the Data Protection Act, 2019, the ODPC is mandated to regulate the processing of personal data and protect the privacy of individuals.[10] This isn't just a "paper tiger" office. The Commissioner has the power to:

[9] Republic of Kenya, *Data Protection Act, 2019*, which formalized data privacy laws and established the Office of the Data Protection Commissioner (ODPC).

[10] Data Protection Act 2019, section 5